

Elliot Lake Public Library
Financial Statements
For the year ended December 31, 2016

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Independent Auditor's Report

To the Members of the Elliot Lake Public Library Board,
Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Elliot Lake

We have audited the accompanying financial statements of the Elliot Lake Public Library, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many such organizations, the Elliot Lake Public Library derives revenue from fines, user charges and sale of materials, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Library and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus or accumulated surplus for the year ended December 31, 2016 and 2015 and current assets as at December 31, 2016 and 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Elliot Lake Public Library as at December 31, 2016, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
May 8, 2017

**Elliot Lake Public Library
Statement of Financial Position**

December 31	2016	2015
Financial assets		
Cash	\$ 200,927	\$ 159,340
Restricted cash (Note 2)	423,960	1,439,649
Due from the City of Elliot Lake (Note 4)	560,264	430,301
	1,185,151	2,029,290
Liabilities		
Accounts payable and accrued liabilities	15,812	15,727
Deferred revenue (Note 5)	4,066	300,000
	19,878	315,727
Net financial assets	1,165,273	1,713,563
Non-financial assets		
Tangible capital assets (Schedule 1)	1,253,527	386,485
Accumulated surplus (Note 7)	\$ 2,418,800	\$ 2,100,048

On behalf of the Board:

**Elliot Lake Public Library
Statement of Operations**

For the year ended December 31	Budget	2016	2015
Revenue			
Municipal contributions	\$ 450,904	\$ 450,904	\$ 420,945
Insurance recoveries	-	-	699,503
Province of Ontario grants	41,552	337,522	46,425
User charges	7,080	6,710	7,861
Interest	-	18,334	35,203
Other	4,520	4,745	5,064
	<u>504,056</u>	<u>818,215</u>	<u>1,215,001</u>
Expenses			
Advertising	1,620	1,291	2,008
Amortization	25,000	46,944	41,391
Equipment	5,000	992	8,414
Insurance	2,425	2,997	2,425
Professional fees	5,645	6,446	5,856
Rent	140,826	113,602	113,602
Repairs and maintenance	1,250	140	-
Supplies and materials	16,933	13,370	12,450
Telephone and internet	4,628	4,247	4,163
Travel	765	1,626	337
Wages and benefits	264,184	307,808	266,891
	<u>468,276</u>	<u>499,463</u>	<u>457,537</u>
Annual surplus	35,780	318,752	757,464
Accumulated surplus, beginning of year	2,100,048	2,100,048	1,342,584
Accumulated surplus, end of year	<u>\$ 2,135,828</u>	<u>\$ 2,418,800</u>	<u>\$ 2,100,048</u>

The accompanying notes are an integral part of these financial statements.

Elliot Lake Public Library
Statement of Change in Net Financial Assets

<u>For the year ended December 31</u>	<u>Budget</u>	<u>2016</u>	<u>2015</u>
Annual surplus	\$ 35,780	\$ 318,752	\$ 757,464
Acquisition of tangible capital assets	(60,600)	(913,986)	(72,483)
Amortization of tangible capital assets	25,000	46,944	41,391
Net change in net financial assets	180	(548,290)	726,372
Net financial assets, beginning of year	1,713,563	1,713,563	987,191
Net financial assets, end of year	\$ 1,713,743	\$ 1,165,273	\$ 1,713,563

The accompanying notes are an integral part of these financial statements.

Elliot Lake Public Library
Statement of Cash Flows

<u>For the year ended December 31</u>	<u>2016</u>	<u>2015</u>
Operating transactions		
Annual surplus	\$ 318,752	\$ 757,464
Items not involving cash		
Amortization	46,944	41,391
	<u>365,696</u>	798,855
Changes in non-cash operating balances		
Insurance recoveries receivable	-	126,675
Accounts payable and accrued liabilities	85	8,451
Deferred revenue	(295,934)	-
Due to/from the City of Elliot Lake	(129,963)	(80,175)
	<u>(60,116)</u>	853,806
Capital transactions		
Acquisition of tangible capital assets	(913,986)	(72,483)
Financing activities		
Decrease (increase) in restricted cash	1,015,689	(734,899)
Net change in cash	41,587	46,424
Cash, beginning of year	<u>159,340</u>	112,916
Cash, end of year	<u>\$ 200,927</u>	<u>\$ 159,340</u>

The accompanying notes are an integral part of these financial statements.

Elliot Lake Public Library

Notes to Financial Statements

December 31, 2016

1. Summary of significant accounting policies

- Basis of accounting** The financial statements of the Elliot Lake Public Library (the Library) are the representations of management prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board.
- Nature of operations** The Elliot Lake Public Library provides library services to residents of the City of Elliot Lake and residents of other municipalities who have contracted the Library for services.
- Revenue recognition** Government transfers are recognized in the year in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.
- Government grants are recognized when approved to the extent that the related expenditures have been incurred and collection can be reasonably assured.
- User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.
- Deferred revenue** Funds received for specific purposes which contain stipulations externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.
- Tangible capital assets** Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:
- | | |
|-------------------------|------------|
| Library collection | - 10 years |
| Furniture and equipment | - 15 years |
- Use of estimates** The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Elliot Lake Public Library
Notes to Financial Statements

December 31, 2016

2. Restricted cash

Internally restricted cash which arose as a result of historical surpluses of the Library consist of cash and short term investments. Cash is restricted to fund future deficits and capital purchases as decided by the Board.

3. Pension plan and future benefits

The library makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full time members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the library does not recognize any share of the pension plan deficit, as this is a joint responsibility of all Ontario municipalities and their employees. Employer's contributions for current and past service are included as an expense on the consolidated statement of operations. The amount contributed to OMERS in 2016 was \$18,565 (2015 - \$19,164).

4. Due to the City of Elliot Lake

The balance owing from the City of Elliot Lake is non-interest bearing and has no set terms of repayment.

5. Deferred revenue

	Opening balance	Contributions received	Spent funds	Ending balance
OMAFRA	\$ 300,000	\$ -	\$ 300,000	\$ -
MTCS	-	4,066	-	4,066
	<u>\$ 300,000</u>	<u>\$ 4,066</u>	<u>\$ 300,000</u>	<u>\$ 4,066</u>

6. Commitment

The Library's temporary lease expired in 2013 and is continuing on a month to month basis. Monthly lease payments are currently \$9,303. During 2013, the Library entered into a lease to operate permanently out of the Pearson Plaza with plans to move into the premises when ready, presently expected in spring 2017. Annual lease payments are expected to be approximately \$100,590 plus a proportionate share of common area costs.

Elliot Lake Public Library
Notes to Financial Statements

December 31, 2016

7. Accumulated surplus

The total balance of accumulated surplus is made up of the following amounts:

	2016	2015
Equity in tangible capital assets	\$ 1,253,527	\$ 386,485
Operating surplus	324,812	273,914
Reserves set aside by the Board		
Library building reserve	840,461	1,439,649
	\$ 2,418,800	\$ 2,100,048
 Allocation of annual surplus:		
Reserves	\$ (599,188)	\$ 734,899
Equity in tangible capital assets	867,042	31,092
Operating surplus	50,898	(8,527)
	\$ 318,752	\$ 757,464

8. Budget

The Financial Plan (Budget) By-Law adopted by Council on March 14, 2016 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets include the following adjustments:

Financial Plan (Budget) Bylaw surplus for the year	\$	-
Add:		
Capital expenditures		60,600
Net inter-fund transfers to reserves		180
Less:		
Amortization		(25,000)
Budget surplus per statement of operations	\$	35,780

Elliot Lake Public Library
Schedule 1 - Tangible Capital Assets

For the year ended December 31, 2016

	Furniture and Equipment	Library Collection	Work in Progress	Total
Cost, beginning of year	\$ 22,456	\$ 428,238	\$ 25,847	\$ 476,541
Additions	-	50,221	863,765	913,986
Cost, end of year	22,456	478,459	889,612	1,390,527
Accumulated amortization, beginning of year	3,746	86,310	-	90,056
Amortization	1,500	45,444	-	46,944
Accumulated amortization, end of year	5,246	131,754	-	137,000
Net carrying amount, end of year	\$ 17,210	\$ 346,705	\$ 889,612	\$ 1,253,527

The net book value of tangible capital assets not being amortized because they are under construction/development or have been removed from service is \$889,612 (2015 - \$25,847).

For the year ended December 31, 2015 (comparative figures)

	Furniture and Equipment	Library Collection	Work in Progress	Total
Cost, beginning of year	\$ 22,456	\$ 369,689	\$ 11,913	\$ 404,058
Additions	-	58,549	13,934	72,483
Cost, end of year	22,456	428,238	25,847	476,541
Accumulated amortization, beginning of year	2,250	46,415	-	48,665
Amortization	1,496	39,895	-	41,391
Accumulated amortization, end of year	3,746	86,310	-	90,056
Net carrying amount, end of year	\$ 18,710	\$ 341,928	\$ 25,847	\$ 386,485